86 - 1311

No. ———

IN THE

Supreme Court of the United States

OCTOBER TERM, 1986

A. L. LABORATORIES, INC. and A/S APOTHEKERNES LABORATORIUM FOR SPECIALPRAEPARATER,

Petitioners,

v.

NORTH AMERICAN PHILIPS CORPORATION,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE EIGHTH CIRCUIT

Of Counsel:
GLEN E. HESS
KIRKLAND & ELLIS
200 East Randolph Drive
Chicago, Illinois 60601
(312) 861-2000

JAMES H. WALLACE, JR.*
JAMES M. JOHNSTONE
RICHARD L. MCCONNELL
FRANK WINSTON, JR.
of
WILEY, REIN & FIELDING
1776 K Street, N.W.
Washington, D.C. 20006
(202) 429-7000

GENE E. VOIGTS
JOHN S. JOHNSTON
of
SHOOK, HARDY & BACON
Mercantile Bank Building
1101 Walnut Street
Twentieth Floor
Kansas City, Missouri 64106
(816) 474-6550
Counsel for Petitioners

* Counsel of Record

February 10, 1987

WILSON - EPES PRINTING CO., INC. - 789-0096 - WASHINGTON, D.C. 20001

QUESTIONS PRESENTED FOR REVIEW

(1) Whether the trial court's refusal to submit to the jury the issue of respondent's direct liability as a joint tortfeasor contravened the Seventh Amendment and this Court's recent decisions in *Liberty Lobby*, *Celotex*, and *Matsushita*, in light of substantial evidence that respondent knowingly participated in its subsidiary's misappropriation of trade secrets?

(2) Whether the court of appeals erred in failing to address petitioners' right to a jury trial, when the issue was properly preserved at trial and raised on appeal?

(3) Whether the jury's award of $1,570,000 in punitive damages should be reinstated on the basis of the jury's detailed special verdict, that contained findings necessarily establishing that respondent willfully, wantonly, or maliciously participated in its subsidiary's misappropriation?

LIST OF PARTIES

The caption identifies all parties to this action except Philips Roxane, Inc. This petition seeks no relief involving Philips Roxane.*

---

* A. L. Laboratories, Inc. is a publicly traded New Jersey corporation, 60% owned by A/S Apothekernes Laboratorium for Specialpraeparater. A. L. Laboratories, Inc., has the following non-wholly-owned subsidiaries and affiliates: P.T. Dumex Indonesia; Dumex Industrial (Nigeria) Ltd.; Dumex Pharmaceuticals Ltd.; DANZ Nutritional, Ltd.; and Nippon Dumex K.K. In addition to A. L. Laboratories, Inc., and its non-wholly-owned subsidiaries and affiliates, A/S Apothekernes Laboratorium for Specialpraeparater has the following non-wholly-owned subsidiaries and affiliates (some of which are 100% owned by A. L. Laboratories, Inc.): A/S Mineralvannfabrikken Kilden; A.L. (Hellas) Ltd., Greece; Black-Boy Produkter A/S; Norgesplaster A/S; Normed A/S; Danz Nutritionals Ltd., Bermuda; Wallace Manufacturing Chemist Ltd.; Neo Laboratories, Ltd.; Nore Pharmaceutical Ltd.; Norma Chemicals Ltd.; A.L. Pharma A/S, Denmark; A.L. Specialty Chemicals Inc., U.S.A.; Apolab OY, Finland; A/S Dumex, Denmark; Dumex Lakemedel AB, Sweden; OY Dumex AB, Finland; Dumex BV, the Netherlands; Dumex GmbH, W. Germany; Dumex AG, Switzerland; and Parmed Pharmaceuticals, Inc.

TABLE OF CONTENTS

TABLE OF AUTHORITIES

IN THE

Supreme Court of the United States

OCTOBER TERM, 1986

No. ———

A. L. LABORATORIES, INC. and A/S APOTHEKERNES LABORATORIUM FOR SPECIALPRAEPARATER,

Petitioners,

v.

NORTH AMERICAN PHILIPS CORPORATION,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE EIGHTH CIRCUIT

REFERENCE TO OPINIONS BELOW

The opinion of the Court of Appeals for the Eighth Circuit is reported at 803 F.2d 378, and appears as Appendix A at 1a-16a. The opinion of the district court is unreported, and appears as Appendix B at 17a-33a. The judgment of the district court appears as Appendix C at 34a-35a.

JURISDICTION OF THIS COURT

The judgment of the court of appeals was entered on October 9, 1986 and appears as Appendix D at 36a. Petitioners' petition for rehearing and suggestion for rehearing en banc were denied by the court of appeals on November 13, 1986 and the court's order appears as Appendix E at 37a.

This Court has jurisdiction to review this matter by writ of certiorari pursuant to 28 U.S.C. § 1254.

APPLICABLE CONSTITUTIONAL PROVISION

The Seventh Amendment to the Constitution provides:

> In suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise re-examined in any Court of the United States, than according to the rules of the common law.

STATEMENT OF THE CASE

This diversity case arises from the deliberate misappropriation of trade secret test data, essential to federal regulatory approval of the antibiotic animal drug zinc bacitracin, by respondent North American Philips Corp. ("North American") and its former wholly-owned subsidiary defendant Philips Roxane, Inc. ("Philips Roxane").[1] Petitioners, plaintiffs below, are A. L. Laboratories, Inc. and A/S Apothekernes Laboratorium for Specialpraeparater, the latter a Norwegian company (collectively "petitioners" or "AL Labs").

At trial, AL Labs presented evidence to establish (1) North American's direct liability as a joint tortfeasor for its own participation in the misappropriation; and (2) North American's vicarious liability for the conduct of its subsidiary, Philips Roxane.

Over AL Labs' objection (Appendix I at 45a), the trial court refused to submit AL Labs' claim of North American's direct liability to the jury,[2] in effect directing a

---

[1] Jurisdiction in the district court was based on 28 U.S.C. § 1332. Jurisdiction in the Eighth Circuit Court of Appeals was based on 28 U.S.C. § 1291.

[2] AL Labs' requested jury instruction regarding North American's direct liability appears as Appendix H at 43a. The trial court's ruling refusing to submit the direct liability issue to the jury appears as Appendix I at 44a-45a.

verdict for North American on that claim. After the jury returned a detailed special verdict awarding $1,570,000 in punitive damages against North American on the vicarious liability theory,[3] the trial court granted judgment n.o.v. for North American based on that court's interpretation of Missouri vicarious liability law. Appendix B at 25a-26a, 32a. The court of appeals affirmed, without addressing petitioners' entitlement to a jury trial on the *direct* liability issue. Appendix A at 16a.

This petition concerns only the direct liability of North American based on its participation in the misappropriation, and does not seek review of the vicarious liability issue.[4]

The trial evidence showed that in the early 1970's North American executive Robert Callahan established a relationship with AL Labs,[5] under which Callahan "utilized" Philips Roxane to assist in obtaining U.S. Food and Drug Administration ("FDA") approval for AL Labs' zinc bacitracin, and negotiated a Marketing Agreement in which another North American subsidiary, Thompson-Hayward Chemical Company, acquired exclusive rights to market the product in the United States.

---

[3] The jury's special verdict appears as Appendix F at 38a-40a. The judgment of the district court accompanying the jury's special verdict appears as Appendix G at 41a-42a.

[4] This petition raises no issue regarding the co-defendant Philips Roxane. The trial court entered judgment against Philips Roxane in the amount of $785,000 based on the jury's special verdict, and granted injunctive relief. Appendix C at 35a. May 6, 1985 Mem. Op. and Injunctive Order. The judgment against Philips Roxane was affirmed on appeal. Appendix D at 36a.

[5] The initial relationship was established between North American and petitioner A/S Apothekernes Laboratorium. A. L. Laboratories, Inc. was incorporated in December 1975 as a subsidiary of A/S Apothekernes Laboratorium.

J.A. 298-305; PX 5, J.A. 553.[6] In the course of the relationship, the North American companies gained access to proprietary test data owned by AL Labs, including certain trade secret data paid for by AL Labs and known as the AHI studies. In 1976, the parties agreed to terminate the relationship in an agreement negotiated by North American's Callahan. PX 6, J.A. 566; J.A. 73, J.A. 516. The termination agreement required the return of all "FDA submissions"—including the trade secret AHI data—to AL Labs. PX 6 at ¶ 6, J.A. 568. Unknown to AL Labs, however, data from the trade secret AHI studies remained in a FDA file in the name of Philips Roxane, following the termination. J.A. 162-163.

Subsequently, North American's Callahan established an arrangement between Philips Roxane and another foreign bacitracin producer, the Yugoslav firm KRKA, under which Philips Roxane undertook to obtain FDA approval for and to market KRKA's zinc bacitracin. J.A. 307-318. In order to avoid the "several years and several hundred thousands dollars" that would be required to duplicate the trade secret AHI data owned by Al Labs,[7] Philips Roxane without authorization from AL Labs used the data to obtain FDA approval for the KRKA product.[8]

Beyond the evidence of North American's detailed control of its subsidiaries' day-to-day activities,[9] and of

---

[6] The following abbreviations are used in this petition: "J.A." refers to the Joint Appendix filed in the Eighth Circuit Court of Appeals by the parties to this action; "PX" refers to Plaintiffs' Exhibits in the district court.

[7] *See* Appendix A at 5a.

[8] Appendix A at 3a-4a. Several years later, during the course of this litigation, Philips Roxane surrendered the file containing the trade secret data to AL Labs.

[9] Testimony from North American's Callahan and North American attorney and employee LeFever, and from Philips Roxane presi-

Callahan's repeated participation in zinc bacitracin matters as outlined above, additional evidence was submitted from which a jury could find that North American participated directly in the decision to misappropriate AL Labs' data to support the Philips Roxane/KRKA application to FDA.

Philips Roxane executive vice-president Sam Musser testified that Philips Roxane relied upon "the people in North American Philips," and specifically on North American's Callahan and Kleon "Kim" LeFever, a North American employee and attorney, to resolve the question regarding the use of AL Labs' trade secret data. J.A. 285, 288-89. Similarly, memoranda written by Philips Roxane's Gouge in August and September 1979 indicated that LeFever "is checking to see if we can legally use" the data. J.A. 278-281. *See* PX 66, J.A. 596; PX 67, J.A. 599.

At trial, North American's LeFever admitted that he had looked into the matter on October 3, 1979 and had discussed it with Musser by telephone the same day. J.A. 519-530. LeFever admitted that his inquiry consisted of a telephone call to an employee of North American subsidiary Thompson-Hayward, in which he learned that "*Philips Roxane was fronting for Thompson-Hayward*," that "*A.L. had paid for the study*," and that AL Labs had made additional payments under the agree-

---

dent John Thompson, showed that North American vice president Hopkins "managed" Philips Roxane and Thompson-Hayward (J.A. 418, 502); that North American's Callahan "supervised" Philips Roxane and Thompson-Hayward as Hopkins' assistant (J.A. 296); that Philips Roxane's "day-to-day details" were handled with Callahan (J.A. 327); and that North American "enforced" cooperation "of the highest order" among its subsidiaries, including Philips Roxane and Thompson-Hayward (J.A. 417-18, 504-05). On the basis of this and other evidence, the jury found that North American "dominated and controlled" Philips Roxane's operations and that Philips Roxane "was a mere tool" of North American. Appendix F at 40a.

ment terminating the earlier Marketing Agreement. J.A. 519-20, 528-30 (emphasis supplied).

There was also evidence that North American's Callahan participated in the deliberations over Philips Roxane's use of the trade secret data. Callahan attended meetings memorialized in Musser's October 5, 1979 memorandum—dated two days after Musser's telephone conversation with North American's LeFever—at which Philips Roxane's use of the AL Labs data was considered. Musser's memorandum of the meeting states:

> [*A*]*ccording to Kim LeFever*, [Thompson-Hayward] transferred back to A/L sponsorship of the NADA including the rights to the AHI study [the trade secret data] for $60,000 cash and $300,000 (?) worth of bacitracin. Apparently [Thompson-Hayward] has the data, *but the use of the data may be questionable*; *legally and morally.*

PX 71, J.A. 601 (emphasis supplied). Although Callahan testified that he could not *recall* the discussion, he admitted attending the "meeting or meetings" described in the Musser memorandum (J.A. 312), and is listed in the memorandum as being in attendance. PX 71, J.A. 600.

Finally, North American admitted in interrogatory answers (read to the jury) that North American's LeFever and Callahan "participated in" or "advised" or were "consulted" regarding the decision to proceed with the Philips Roxane regulatory application. J.A. 549; *see* J.A. 546-47 (similar admission by Philips Roxane).

Notwithstanding this evidence, the trial court, over AL Labs' objection, refused to instruct the jury that North American could be held liable as a joint tortfeasor with Philips Roxane "if you find that both defendants participated in or contributed to" the trade secret misappropriation. Appendix H; Appendix I. The trial court did *not* base that ruling on any interpretation of Missouri

law regarding the direct liability of joint tortfeasors,[10] but rather on the trial court's view as to the sufficiency of the evidence regarding North American's participation in the misappropriation. Appendix I at 45a. After the jury returned a verdict against North American on the vicarious liability theory and awarded $1,570,000 in punitive damages against North American, the trial court granted judgment n.o.v. for North American based on that court's construction of Missouri *vicarious* liability law. Appendix B at 24a-26a.

The Eighth Circuit Court of Appeals affirmed, holding that "[a]lthough it is a close question, we again defer to the district court's determination of the requirements of state law." Appendix A at 15a. That holding could not have encompassed the direct liability issue, since as noted above the district court's ruling on the direct liability issue was not based on its interpretation of Missouri

---

[10] Missouri has adopted as its law Section 876 of the Restatement (Second) of Torts (1982), under which a defendant is subject to direct liability for harm to a third person resulting from the tortious acts of another, if the defendant

> (a) does a tortious act in concert with the other or pursuant to a common design with him, or
>
> (b) knows that the other's conduct constitutes a breach of duty and gives substantial assistance or encouragement to the other so to conduct himself, or
>
> (c) gives substantial assistance to the other in accomplishing a tortious result and his own conduct, separately considered, constitutes a breach of duty to the third person.

See, e.g., Mills v. Murray, 472 S.W.2d 6, 12-13 (Mo. Ct. App. 1971). There is no exception to this rule merely because the tortfeasors are parent and subsidiary. *See, e.g.*, Cher v. Forum Int'l, Ltd., 692 F.2d 634, 640 (9th Cir. 1982) (Penthouse jointly and severally liable with its 80%-owned subsidiary), *cert. denied*, 462 U.S. 1120 (1983). Moreover, under Missouri law, which is similar to that in many other states, punitive damages may be assessed separately against joint tortfeasors. Mills v. Murray, *supra*, 472 S.W.2d at 14, relying on State ex rel. Hall v. Cook, 400 S.W.2d 39, 41 (Mo. 1966).

law but rather on the trial court's evaluation of the sufficiency of the evidence. Thus, although the court of appeals explicitly recognized that AL Labs had presented both direct and vicarious liability theories as to North American (*id.* at 13a), it did not address the issue of the trial court's refusal to submit the direct liability theory to the jury. AL Labs' petition for rehearing, directed solely to the court of appeals' failure to address that issue, was denied without explanation. Appendix E.

REASONS FOR GRANTING THE WRIT

I. Petitioners Were Improperly Deprived of a Jury Trial on the Issue of Respondent's Direct Liability, in Contravention of the Seventh Amendment and Recent Decisions of this Court.

The Seventh Amendment to the Constitution guarantees the right to a jury trial:

> In suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise re-examined in any Court of the United States, than according to the rules of the common law.

As this Court recognized last term, a trial judge should direct a verdict "if, under the governing law, there can be but one reasonable conclusion as to the verdict," but may *not* direct a verdict "*[i]f reasonable minds could differ* as to the import of the evidence." *Anderson v. Liberty Lobby, Inc.*, —— U.S. ——, 106 S. Ct. 2505, 2511 (1986) (emphasis supplied), *citing Wilkerson v. McCarthy*, 336 U.S. 53, 62 (1949) and *Brady v. Southern Ry. Co.*, 320 U.S. 476, 479-80 (1943).[11]

---

[11] Although Liberty Lobby ruled on the standard for granting summary judgment, the Court emphasized that the standard for summary judgment *"mirrors the standard for a directed verdict under Federal Rule of Civil Procedure 50(a),"* and therefore discussed that standard in detail. 106 S. Ct. at 2511 (emphasis supplied).

As the Court emphasized in *Anderson v. Liberty Lobby, supra,*

> Credibility determinations, the weighing of the evidence, and the drawing of legitimate inferences from the facts are jury functions, not those of a judge, whether he is ruling on a motion for summary judgment or for a directed verdict. The evidence of the non-movant is to be believed, and all justifiable inferences are to be drawn in his favor.

106 S. Ct. at 2513; *citing Adickes v. S.H. Kress & Co.*, 398 U.S. 144, 158-159 (1970).

As shown above, there was ample evidence at trial from which the jury could reasonably have found that North American participated in the misappropriation of AL Labs' trade secrets. The evidence showed that Philips Roxane relied upon North American (specifically North American's Callahan and LeFever) in connection with the decision to use AL Labs' data, that North American's Callahan and LeFever participated in the deliberations concerning use of the data, that North American's Callahan and LeFever were on notice that AL Labs had paid for the data and that any use by Philips Roxane would be legally and morally questionable, and that North American's Callahan and LeFever were both involved in the decision to proceed with the Philips Roxane regulatory application.

Although there may have been some conflict in the evidence, petitioners and the jury were confronted by a record where, in the words of the trial judge, "no one confessed to making the final decision, and the jury may have concluded the defense was lacking in candor." Appendix B at 23a. In this context, the evidence of North American's direct participation and its general control of Philips Roxane was sufficient to permit a reasonable jury to infer that North American, through LeFever or Callahan or both of them, made the decision to misappropriate the data, or participated jointly with Philips

Roxane in making that decision, or encouraged or assisted Philips Roxane's wrongful conduct—any of which would be sufficient to make North American liable as a joint tortfeasor under Missouri law. *See* n.10, *supra.*

The trial court's ruling on the direct liability issue thus deprived petitioners of a jury trial in violation of the Seventh Amendment, and contravened the admonition of this Court that a case may not be removed from the jury if "a jury could reasonably find for either party." *Anderson v. Liberty Lobby, supra,* 106 S. Ct. at 2513. Given the substantial evidence of North American's participation in the misappropriation, the trial court could not have ruled as it did without improperly making credibility determinations, weighing the evidence, and usurping the role of the jury. *See id.*; *compare Adickes v. S.H. Kress & Co.,* 398 U.S. 144 (1970). Indeed, the trial court's ruling was based largely on its *interpretation* of the deposition testimony of North American's Callahan (read at trial), from which that court inferred that Callahan "seemed to be startled and amazed" by the decision to use AL Labs' data, and that "he didn't seem to have any awareness that question had been raised earlier." Appendix I at 45a. The trial court simply disregarded the extensive evidence to the contrary.

In addition to correcting the deprivation of petitioners' right to a jury trial, this case presents an opportunity to emphasize and make clear the limits on the use of summary judgment or directed verdicts to remove claims from jury consideration. In its last term, this Court addressed in three separate decisions the standard for granting summary judgment under Fed. R. Civ. P. 56, which "mirrors the standard for a directed verdict under Federal Rule of Civil Procedure 50(a)." *Anderson v. Liberty Lobby, supra,* 106 S. Ct. at 2511; *Celotex Corp. v. Catrett,* —— U.S. ——, 106 S.Ct. 2548, 2553 (1986); *see Matsushita Elec. Indus. Co. v. Zenith Radio Corp.,* —— U.S. ——, 106 S. Ct. 1348 (1986). Those decisions recognized a proper role for summary judgment in dispos-

ing of claims that have no factual basis. *See Celotex, supra*, 106 S. Ct. at 2555.

But despite efforts by the majority or plurality in each of those cases to recognize limits on the use of summary judgment or directed verdicts, members of the Court expressed concern that the decisions would create confusion or undermine the role of the jury. *Anderson v. Liberty Lobby, supra*, 106 S. Ct. at 2520 (Brennan, J., dissenting, expressing "my concern that today's decision may erode the constitutionally enshrined role of the jury"); *id.* at 2523 (Rehnquist, J., dissenting, stating that the decision "will do great mischief with little corresponding benefit"); *Celotex Corp. v. Catrett, supra*, 106 S. Ct. at 2556 (Brennan, J., dissenting, "the Court's opinion will very likely create confusion"); *Matsushita Elec. Indus. Co. v. Zenith Radio Corp., supra*, 106 S. Ct. at 1364 (White, J., dissenting, observing that the Court is either departing from traditional doctrine or "using unnecessarily broad and confusing language").

Certiorari therefore should be granted because the trial court's refusal to submit the issue of North American's direct liability to the jury is in conflict with the Seventh Amendment and decisions of this Court; because it so far departs from the accepted and sound course of judicial proceedings as to call for the exercise of this Court's power of supervision; and in order to clarify generally the limits applicable to grants of summary judgment and directed verdicts. Sup. Ct. R. 17.

II. The Court of Appeals Improperly Failed To Address Petitioners' Right to A Jury Trial on the Direct Liability Issue.

In this case, the court of appeals simply did not address whether the trial judge had erred in refusing to submit to the jury the issue of North American's direct participation in the misappropriation. Petitioners expressly brought this to the court of appeals' attention in a peti-

tion for rehearing, which was denied without explanation. Appendix E.

In effect, the court of appeals left the job of appellate review of the trial court's ruling on the direct liability theory to this Court. But as the remands in *Liberty Lobby*, *Celotex*, and *Matsushita* illustrate, it is the court of appeals' duty to review the propriety of trial court decisions denying a jury trial. Indeed, appellate review of such decisions should be particularly thorough and searching, in light of the important constitutional interest at stake. *See Dimick v. Schiedt*, 293 U.S. 474, 485 (1935) ("[m]aintenance of the jury as a fact-finding body is of such importance and occupies so firm a place in our history and jurisprudence that any seeming curtailment of the right to a jury trial should be scrutinized with the utmost care"), *quoted in Beacon Theatres, Inc. v. Westover*, 359 U.S. 500, 501 (1959). *See also Jacob v. New York City*, 315 U.S. 752, 753 (1942) ("[t]he right of jury trial in civil cases at common law is a basic and fundamental feature of our system of federal jurisprudence which is protected by the Seventh Amendment. A right so fundamental and sacred . . . should be jealously guarded by the courts").

Thus, certiorari also should be granted to provide guidance to the courts of appeals regarding appropriate review of summary judgment and directed verdict decisions, pursuant to this Court's power of supervision.

III. The Punitive Damage Award Against Respondent Should Be Reinstated, on the Basis of Factual Findings Made by the Jury Establishing Respondent's Liability.

Although the direct liability issue was not submitted to the jury, factual findings made by the jury in its detailed Special Verdict necessarily established North American's direct participation in the misappropriation of AL Labs' trade secrets. Thus, the punitive damage

award against North American should be reinstated without requiring a new trial.

Following detailed findings establishing Philips Roxane's liability for the willful, wanton, or malicious misappropriation of the trade secret data, the jury found that "North American Philips so dominated and controlled the operations of Philips Roxane that Philips Roxane was a mere tool of North American Philips, dependent on North American Philips for its management decisions." Special Verdict ¶ 9, Appendix F at 40a. The jury further determined that AL Labs was entitled to punitive damages from North American, under an instruction requiring the jury to find "*willful, wanton or malicious*" misconduct as a basis for punitive damage liability. Special Verdict ¶ 10, Appendix F at 40a; instruction on punitive damage liability, J.A. 752-54 (emphasis supplied).

The finding that North American's conduct was willful, wanton or malicious necessarily established that North American *participated* in the decision to use the data, which is sufficient to establish North American's direct liability as a joint tortfeasor. Since the only wrongdoing alleged in the case was defendants' unauthorized use of AL Labs' trade secrets, the jury could not have found North American's conduct willful, wanton or malicious without finding that North American participated in the wrongful use of the data.

Thus, despite the trial court's failure to give the separate direct liability instruction requested by AL Labs, the Special Verdict findings under the instructions given were sufficient to establish North American's direct liability. Fed. R. Civ. P. 61; *Flanigan v. Burlington Northern Inc.*, 632 F.2d 880, 889 (8th Cir. 1980) (jury instructions subject to harmless error rule), *cert. denied*, 450 U.S. 921 (1981); *Alloy Int'l Co. v. Hoover-NSK Bearing Co.*, 635 F.2d 1222, 1228 (7th Cir. 1980) (failure to give model instruction harmless error where record as a whole shows jury understood issues).

CONCLUSION

For the foregoing reasons, the Petition for a Writ of Certiorari should be granted.

Respectfully submitted,

Of Counsel:
GLEN E. HESS
KIRKLAND & ELLIS
200 East Randolph Drive
Chicago, Illinois 60601
(312) 861-2000

JAMES H. WALLACE, JR.*
JAMES M. JOHNSTONE
RICHARD L. MCCONNELL
FRANK WINSTON, JR.
of
WILEY, REIN & FIELDING
1776 K Street, N.W.
Washington, D.C. 20006
(202) 429-7000

GENE E. VOIGTS
JOHN S. JOHNSTON
of
SHOOK, HARDY & BACON
Mercantile Bank Building
1101 Walnut Street
Twentieth Floor
Kansas City, Missouri 64106
(816) 474-6550
Counsel for Petitioners

* Counsel of Record

February 10, 1987

APPENDICES

APPENDIX A

UNITED STATES COURT OF APPEALS
FOR THE EIGHTH CIRCUIT

No. 85-1713
No. 85-2067
No. 85-2068

A. L. LABORATORIES, INC., and A/S APOTHEKERNES LABORATORIUM FOR SPECIALPRAEPARATER,
Appellants/Cross-Appellees,

v.

PHILIPS ROXANE, INC.,
Appellee/Cross-Appellant,

and

NORTH AMERICAN PHILIPS CORP.,
Appellee.

Appeals from the United States District Court
for the Western District of Missouri

Submitted: March 10, 1986
Filed: October 9, 1986

Before JOHN R. GIBSON and WOLLMAN, Circuit Judges, and HARPER,* Senior District Judge.

WOLLMAN, Circuit Judge.

This Missouri diversity action involves a claim by A. L. Laboratories, Inc., against North American Philips Corp. and one of North American's then wholly owned subsidiaries, Philips Roxane, Inc., for misappropriation of proprietary data. A.L. Labs appeals from the district court's [1] grant of judgment notwithstanding the verdict reducing the award of compensatory damages against Philips Roxane from $340,000 to $1 and overturning the $1,570,000 award of punitive damages against North American. In addition, A.L. Labs argues that the injunctive relief entered in its favor was inadequate and that it was entitled to attorney fees. Philips Roxane on cross-appeal seeks to avoid all liability on the basis that there was no misappropriation and in the alternative challenges the district court's refusal to reverse an award of $785,000 punitive damages against it. We affirm.

The dispute between A.L. Labs and North American and Philips Roxane concerns the development and submission of scientific support data needed to gain the Food and Drug Administration (FDA) approval which is prerequisite to the marketing in the United States of new animal drugs. The FDA places scientific data submitted to it in a file bearing the name of the party who "owns" such data. A subsequent applicant for drug approval who wishes to rely on data already in the FDA's possession may do so only with permission from the "owner" of the relevant file. *See* 21 C.F.R. § 514.1(a) (1985). Data thus do not become "general knowledge" after de-

---

* The HONORABLE ROY W. HARPER, Senior United States District Judge for the Eastern and Western Districts of Missouri, sitting by designation.

[1] The Honorable Howard F. Sachs, United States District Judge for the Western District of Missouri.

velopment and submission; rather, each subsequent applicant must obtain the data at its own expense.

In the early 1970's A.L. Labs [2] began seeking the help of an American company regarding the approval and marketing in the United States of its animal drug zinc bacitracin. In November 1973, A.L. Labs signed a marketing agreement with Thompson-Hayward Chemical Co., a wholly owned subsidiary of North American, under which Thompson-Hayward was to receive exclusive U.S. distribution rights for A.L. Labs' zinc bacitracin in exchange for Thompson-Hayward's best efforts in helping A.L. Labs obtain FDA approval for the drug.

Certain scientific data necessary to the FDA approval subsequently were developed through a joint study coordinated by the Animal Health Institute (AHI), an industry trade association. Results of the study were to be available only to sponsors who paid a share of the research costs, and amounts billed by AHI were paid by Thompson-Hayward and reimbursed by A.L. Labs. Philips Roxane, however, initially had been listed in name as the participant in the study; and when the data were submitted to the FDA, that agency placed them in a file previously set up in Philips Roxane's name.

A.L. Labs' zinc bacitracin was approved in April 1976, but that company and Thompson-Hayward within five months terminated their marketing agreement. The termination agreement provided that Thompson-Hayward would "take such steps as are necessary to transfer or assign to AL * * * any other FDA submissions made by or on behalf of TH relating to AL's Zinc Bacitracin." Joint appendix at 568. Philips Roxane subsequently on three

---

[2] A.L. Labs actually did not exist until December 1975, when it was created as the U.S. subsidiary of A/S Apothekernes Laboratorium for Specialpraeparater of Oslo, Norway. Since the district court found that A.L. Labs succeeded to all the rights of A/S Apothekernes in this matter, and that finding is not challenged on appeal, we shall use "A.L. Labs" on all references for the sake of clarity.

occasions referred to the AHI study data in seeking FDA approval for the zinc bacitracin of another foreign company. After A.L. Labs filed this suit alleging misappropriation of its data, Philips Roxane in an attempt to moot the controversy paid $30,000 to another AHI study participant for the right to refer to that company's data. The FDA allowed the drug approval originally obtained with the data claimed by A.L. Labs (the other applications apparently are still pending) to stand based on Philips Roxane's substitution of the equivalent data from the different source.

In reviewing the contentions of the parties, we are mindful that the jury by special verdict found for A.L. Labs in all respects. Thus, we must resolve factual conflicts in favor of A.L. Labs and give A.L. Labs the benefit of all reasonable inferences. *See Craft v. Metromedia, Inc.*, 766 F.2d 1205, 1218 (8th Cir. 1985), *cert. denied*, 106 S. Ct. 1285 (1986). A jury's verdict may not be overturned if the evidence when viewed in the manner most favorable to the prevailing party would allow reasonable jurors to differ regarding the conclusions that could be drawn. *See Thomas v. Booker*, 784 F.2d 299, 305 (8th Cir.), *cert. denied*, 106 S. Ct. 1975 (1986); *Craft*, 766 F.2d at 1218; *see also Easley v. Empire Inc.*, 757 F.2d 923, 928 (8th Cir. 1985) (jury verdict at Missouri law may be overturned only in the "complete absence of probative facts").

I.

Philips Roxane argues that A.L. Labs was entitled to no relief because the scientific data from the AHI study do not constitute trade secrets and because Philips Roxane acquired the results of the study in a lawful manner. The data, Philips Roxane contends, were known throughout the industry, or at least to the other sponsors of the study, with no measures taken to ensure that those sponsors would maintain secrecy. The district court, however, instructed the jury that

> [t]he fact that more than one company or enterprise has access to information does not necessarily prevent the information from being a trade secret. All that is required is that the information is not publicly known, and that it would be difficult or expensive for a competitor not lawfully possessed of the information to acquire it by fair means.
>
> * * * *
>
> Also, the fact that information or data is developed in cooperation with other companies or joint venturers, or through a consultant or other party assisting in its development, does not mean that such information or data is not a trade secret. It may still be a confidential trade secret, provided that, in fact, it is known only to the venturers or consultants and is not generally known in the industry.

Joint appendix at 749-50.

These instructions, which Philips Roxane does not challenge, are in keeping with *Restatement of Torts* § 757 (1939), adopted by Missouri courts in determining the existence of trade secrets. *National Rejectors v. Trieman*, 409 S.W.2d 1, 18 (Mo. 1966). As the *Restatement* comments make clear, a trade secret requires not absolute secrecy but "a substantial element of secrecy * * * so that, except by the use of improper means, there would be difficulty in acquiring the information." *Restatement, supra*, § 757 comment b. The evidence is undisputed that it would have taken Philips Roxane several years and several hundred thousand dollars to duplicate the AHI studies, and even in subsequently obtaining the right to the data from another study sponsor Philips Roxane was willing to pay $30,000. One characteristic of a trade secret is that it is vendible, with its sale value depending on its secrecy. *Id.* comment c. *National Rejectors*, relied on by Philips Roxane, stands only for the proposition that development costs and value alone cannot justify limitations on the use of information already

freely presented to the general public. *See* 409 S.W.2d at 20. The requirement of the FDA that an applicant for drug approval have permission to reference scientific data previously submitted by another company, plus the AHI's limits on the availability of the joint study data, plus the ultimate willingness of Philips Roxane to buy a right of reference all suggest that this is not a case involving information of free and general circulation. A.L. Labs presented ample evidence from which a reasonable jury could have found that the AHI study data constituted trade secrets.

Philips Roxane next argues that, even assuming trade secrets, it could not have been guilty of misappropriation because it properly acquired the data in question when it was designated by the FDA as the owner of a file in which the AHI study results were placed. This argument, however, may be summarily rejected. The relative rights of A.L. Labs, Thompson-Hayward, and Philips Roxane to the AHI study data are governed by the relationships among those companies, and an error by the FDA is not sufficient to alter those rights.

The record shows testimony suggesting that both A.L. Labs and Thompson-Hayward contemplated that Thompson-Hayward would rely on the regulatory expertise of Philips Roxane in obtaining FDA approval for the zinc bacitracin and that A.L. Labs financed a visit by a Philips Roxane scientist and gave confidential data to Philips Roxane prior to the signing of the marketing agreement. Joint appendix at 147-53, 178, 233, 264, 267, 469-72, 552. While Philips Roxane in July 1973 submitted its name as a potential sponsor of the AHI study, it at the same time wrote Thompson-Hayward that its "main purpose was to get us listed so that Thompson-Hayward could be included as a cooperator." *Id.* at 574. Then, in March 1974, when it came time for prospective sponsors to sign letters agreeing to pay proportionate shares of the costs of the research, Philips Roxane wrote Thompson-

Hayward that if Thompson-Hayward was interested, Thompson-Hayward should contact the AHI directly because Philips Roxane was "not in this area of marketing" and "personally [was] not going to participate in th[e] study." *Id.* at 602.

The record further includes correspondence from Thompson-Hayward to the AHI explaining that Thompson-Hayward would be sharing in the costs of the joint study and that the Philips Roxane address had been used only because Philips Roxane personnel were providing the scientific expertise and certain correspondence was to be addressed to them. *Id.* at 584. Subsequently, when the AHI submitted the study results to the FDA, it listed Thompson-Hayward, and not Philips Roxane, among the companies entitled to use the data. *Id.* at 589-90; *see also id.* at 183, 212-14. Philips Roxane did not take any part in actually conducting the studies, *id.* at 241, 450; and while Philips Roxane claimed to have invested 400 to 700 hours of time and expertise overall (i.e., not limited to time spent relating to the AHI study) in connection with gaining FDA approval for the A.L. Labs zinc bacitracin, other testimony suggested that the $60,000 cash paid by A.L. Labs to Thompson-Hayward under the termination agreement was to reimburse expenses of Thompson-Hayward and Philips Roxane. *Id.* at 109-10. From this evidence a reasonable jury certainly could have found that Philips Roxane participated in the AHI study only on behalf of A.L. Labs and not in its own right and thus had no entitlement to the data thereby generated.

Finally, Philips Roxane argues that its use of the AHI study results was not tortious because it did not acquire the information through a confidential relationship. A "confidential relationship," Philips Roxane asserts, is synonymous with a fiduciary relationship, with the necessary dominance or special influence lacking here because A.L. Labs, Thompson-Hayward, and Philips Roxane en-

gaged in an arm's length business transaction. As revealed by the cases discussed by the Missouri court in *National Rejectors*, however, the tort of misappropriation addresses as "confidential relationships" those instances where a company discloses its confidential information to a second company for some specific purpose and the second company uses the information other than for that purpose. 409 S.W.2d at 34-36; *e.g.*, *Restatement*, *supra*, § 757 comment c. Furthermore, no particular form is required for a confidential relationship; the question, rather, "is simply whether in the circumstances B knows or should know that the information is A's trade secret and that its disclosure is made in confidence." *Id.* § 757 comment j. Certain disclosure thus may be considered confidential by general implication. *E.g.*, *Sandlin v. Johnson*, 152 F.2d 8, 11 (8th Cir. 1945) (licensing arrangement); *see also Burten v. Milton Bradley Co.*, 763 F.2d 461, 463 (1st Cir. 1985) ("Where the facts demonstrate that a disclosure was made in order to promote a specific relationship * * * the parties will be bound to receive the information in confidence.").

A.L. Labs' position is that the AHI study data were revealed to Philips Roxane by A.L. Labs for Philips Roxane's use in obtaining FDA approval for A.L. Lab's zinc bacitracin. The information thus, by general implication as well as in accordance with the general practices of the parties, including Philips Roxane, *see* joint appendix at 234-35, was to be treated as confidential and used only for A.L. Labs' benefit. Philips Roxane argues that a confidential relationship could not have existed because the marketing agreement ran only between A.L. Labs and Thompson-Hayward. In addition, Philips Roxane contends that references to confidentiality in, for example, the marketing agreement applied only to data then in existence and in the possession of A.L. Labs and not to the subsequently developed AHI study data. These arguments, however, are inconsistent with the factual

scenario outlined above regarding Philips Roxane's role in representing A.L. Labs in the joint study, and a reasonable jury similarly could have found that a confidential relationship existed within the meaning of Missouri trade secrets law.

II.

Turning to the monetary relief assessed against Philips Roxane, A.L. Labs argues that the district court erroneously rejected the unjust enrichment measure of recovery when it reduced the jury award of $340,000 compensatory damages—approximately the amount of research costs avoided by Philips Roxane through its misappropriation—to $1 nominal damages. The district court in the essence of its opinion, however, accepted the unjust enrichment theory; it found, rather, that no enrichment had been shown because Philips Roxane properly acquired the AHI data when it purchased a valid right of reference from another study participant and A.L. Labs had offered insufficient evidence to create a jury issue regarding the value of the information to Philips Roxane during the twenty-eight months of improper possession. A.L. Labs on appeal does not challenge the insufficiency holding but does argue that the question regarding the ability of other study participants to sell rights of reference to the AHI data should have been submitted to the jury rather than decided by the court in ruling on equitable relief. Because, however, the FDA had agreed that if the right of reference were invalidated it would void any drug approvals Philips Roxane had obtained through use of the A.L. Labs data, Philips Roxane still would not have been unjustly enriched and there would have been no compensatory damages issue for the jury. Accordingly, the district court did not err in reducing the compensatory award to nominal damages.

Philips Roxane argues that there was also no punitive damages issue for the jury because there was no evidence

that Philips Roxane in referencing the AHI study results in submissions to the FDA acted other than in good faith reliance on the representation of its counsel. Sam Musser, an executive vice president with Philips Roxane, testified by deposition, however, that Philips Roxane relied not specifically on the advice of counsel but on "the people in North American Philips," joint appendix at 285; *see also id.* at 289; moreover, the counsel on whose advice Philips Roxane relied was Kleon LeFever, an employee of North American. Furthermore, Musser was unable to pinpoint when and to whom LeFever allegedly gave the legal opinion that Philips Roxane had the right to reference the AHI data for its own uses. *Id.* at 285. LeFever in his deposition testimony denied having given any such advice to Philips Roxane prior to the institution of the present litigation, *id.* at 423-24, but during his in-court testimony LeFever produced a memorandum showing that he had discussed the matter by phone with Musser on October 3, 1979.[3] Finally, in keeping with Musser's testimony, *see id.* at 285, Philips Roxane's argument is that it consulted LeFever to learn the details of the A.L. Labs termination agreement with Thompson-Hayward and to learn whether that agreement affected Philips Roxane's rights. In the face of memoranda showing that Philips Roxane knew that A.L. Labs paid for the AHI study, *id.* at 596, 599, 601, and the documentary evidence discussed earlier suggesting that

---

[3] Even assuming the conversation took place as LeFever alleged, LeFever's own testimony suggests that he did nothing more than pass information from a Thompson-Hayward executive to Musser, with no enhancement as a result of his own legal knowledge. Joint appendix at 529. Furthermore, the Thompson-Hayward executive was involved in the project for which the A.L. Labs data was used and possibly even attended a meeting at which Philips Roxane's right to the data was questioned, *id.* at 600-01, thus making the channeling of the executive's knowledge through corporate counsel seem more like a "laundering" of the information or an after-the-fact rationalization and diminishing the credibility of the argument of good faith reliance on counsel.

Philips Roxane participated in the AHI study only on behalf of A.L. Labs, the jury could have found bad faith in Philips Roxane's failure to even question its initial "acquisition" of the information.[4] Evidence is not so lacking as to justify overturning the jury's award of $785,000 punitive damages against Philips Roxane. *See Easley*, 757 F.2d at 929.

III.

In addition to the damages awarded by the jury, A.L. Labs obtained equitable relief from the district court in the form of an injunction restraining Philips Roxane until August 27, 1985, from marketing or permitting others to market any bacitracin product for which FDA approval was gained through reference to the disputed data.[5] A.L. Labs contends, however, that it was entitled to a permanent injunction or, in the alternative, that the fifty-one-month period of the restraint should have run only from the time of judgment and not retroactively from the time of the misappropriation.

The entitlement to a permanent injunction, A.L. Labs argues, follows under Missouri law from Philips Roxane's bad faith and willful conduct. In support of this position A.L. Labs cites *Smith v. Dravo Corp.*, 203 F.2d 369 (7th Cir. 1953), a case it claims was adopted by the Missouri Court of Appeals in *Reddi-Wip, Inc. v. Lemay*

---

[4] Philips Roxane makes much of a statement of the district court that Philips Roxane's "acquisition" of the AHI data was "innocent." *See* Memorandum and Order of July 23, 1985, at 9 n.4. We read the district court's opinion as referring merely to the manner in which the data came to be in an FDA file in Philips Roxane's name, an occurrence which, as we stated earlier, could not increase Philips Roxane's rights in the study results. There is no inconsistency in a finding that Philips Roxane subsequently was willfully blind as to the source of its right to the data in its name.

[5] The date stated in the original order was August 13, 1985, but the district court apparently subsequently recalculated the running of the fifty-one-month period.

Valve Co., 354 S.W.2d 913, 918 (Mo. Ct. App. 1962). The district court, however, relied on the fairly explicit language of two subsequent Missouri Supreme Court cases to conclude that state law would not allow entry of a permanent injunction. *See Carboline Co. v. Jarboe*, 454 S.W.2d 540, 552 (Mo. 1970); *National Rejectors*, 409 S.W.2d at 43; *cf. Sigma Chemical Co. v. Harris*, No. 85-1616, slip op. at 6-9 (8th Cir. June 26, 1986) (conclusion of district court that employee had been under a "temporally unlimited" duty not to disclose trade secrets was in conflict with the opinion of the Missouri Supreme Court in *National Rejectors*). In a diversity case we accord great deference to the district court's interpretation of state law, *McAninch v. Traders National Bank*, 779 F.2d 466, 469 (8th Cir. 1985), *cert. denied*, 54 U.S.L.W. 3823 (U.S. June 16, 1986) (No. 85-1733), and we therefore affirm the district court's denial of a permanent injunction.

The alternative to permanent injunctive relief, a "head start" injunction, compensates for the time saved by a defendant by misappropriating a trade secret rather than reproducing the information on its own.[6] A.L. Labs does not contest the district court's conclusion that the head start gained by Philips Roxane was fifty-one months—thirty-six months to replicate the AHI study plus fifteen months to gain an FDA drug approval based thereon—but instead argues that Philips Roxane would be de-

---

[6] *Carboline* also suggests that on the facts of a given case the proper head start period instead would be the length of time between the misappropriation and the point when the trade secret otherwise became public. 454 S.W.2d at 552. Thus, A.L. Labs arguably would have been entitled to an injunction of only twenty-eight months, that being the period of time between when Philips Roxane first referenced the AHI study data to the FDA and when Philips Roxane purchased the right to use the data from another study participant. Since this alternative is even less favorable to A.L. Labs than the measure used by the district court, we need not consider it in resolving the issue before us.

prived of its head start only if it were enjoined from marketing bacitracin for fifty-one months from the time of judgment (i.e., from May 6, 1985, through early August 1989). A.L. Labs' argument, however, assumes that absent the misappropriation Philips Roxane would not have commenced to replicate the AHI study until May 6, 1985.

An analysis of the district court's remedy shows that its injunction put Philips Roxane in the same position as if, on May 28, 1981, instead of referencing the AHI study data to the FDA, Philips Roxane had begun replicating the research independently. Philips Roxane then would have been able to submit its own data to the FDA on May 28, 1984, and a drug application filed at that time in reliance on that data would have been approved by the FDA by approximately August 27, 1985. A.L. Labs has offered insufficient proof of any necessary post-approval development that would have delayed Philips Roxane's marketing of bacitracin beyond that time. The early approval of the bacitracin was the only benefit to Philips Roxane shown by A.L. Labs, and the district court's injunction removed that benefit by in essence delaying the date of approval to August 27, 1985.

IV.

Turning to the judgment notwithstanding the verdict in favor of North American, A.L. Labs argues that there was sufficient evidence to support the award of $1,570,000 punitive damages on the theory either that by reason of North American's dominance and control over Philips Roxane corporate forms should be disregarded and the parent held responsible for the acts of the subsidiary, or that by reason of North American's role in the decision to reference the AHI study data North American should share in the direct liability for the misappropriation.

Corporate forms may be disregarded and separate entities treated as one only where a two-prong test is met:

"Not only must the corporation be controlled and influenced by one or a few persons, in addition, the evidence must establish that the corporate cloak was used as a subterfuge to defeat public convenience, to justify wrong or to perpetuate fraud." *Fairbanks v. Chambers*, 665 S.W.2d 33, 37 (Mo. Ct. App. 1984). Thus, full ownership, with concomitant dominance and control, is insufficient to justify "piercing the corporate veil"; rather, a plaintiff must prove that equity requires that the parent and subsidiary be treated as one. *Camelot Carpets v. Metro Distributing Co.*, 607 S.W.2d 746, 749-50 (Mo. Ct. App. 1980) (quoting *Lawton-Byrne-Bruner Insurance Agency Co. v. Stiers Brothers Construction Co.*, 186 S.W.2d 480, 484-85 (Mo. Ct. App. 1945)); *see also Community Title Co. v. Roosevelt Federal Savings & Loan Association*, 670 S.W.2d 895, 905 n.8 (Mo. Ct. App. 1984) (dicta).

The record before us is devoid of any evidence that North American had other than a lawful purpose in establishing Philips Roxane as a subsidiary rather than maintaining Philips Roxane's operations within the parent corporation. And while North American at times may have exercised great control over certain functions of Philips Roxane, neither is there any suggestion that North American ever manipulated the corporate distinction between itself and Philips Roxane to perpetuate fraud. A.L. Labs' argument, rather, relies on a blurring of the corporate lines between Philips Roxane and Thompson-Hayward in regard to performance of Thompson-Hayward's obligations under the A.L. Labs marketing agreement. For example, a representative of A.L. Labs testified that when the original marketing agreement was being negotiated, North American represented that both Thompson-Hayward and Philips Roxane would be involved in the project and that North American determined that that arrangement would be formalized through a contract with Thompson-Hayward only and

then circulated the proposed contract to its two subsidiaries. Joint appendix at 146-47, 151-52. North American also negotiated the termination agreement, *id.* at 73, 156, and the contract with the foreign company on whose behalf the A.L. Labs data subsequently were referenced. *Id.* at 600 (in fact, it was not even determined at the outset whether this contract would be with Thompson-Hayward or Philips Roxane, *id.* at 311). A memorandum in the record places a North American representative (plus a Thompson-Hayward representative) at at least one of an apparent series of meetings at which the questionable morality and legality of using the A.L. Labs data were at some point raised, and the availability of the data was identified as an "undetermined cost factor" at a time when the question of which party would bear the costs of FDA approval seemed to be a major issue in the contract negotiations. *Id.* at 600-01. Finally, North American admitted that when Philips Roxane submitted to the FDA an application for new animal drug approval on behalf of the second foreign corporation, North American participated in the decision or gave advice or was consulted. The district court apparently concluded that Missouri would impose liability on North American not for merely creating and perpetuating the blurring between its subsidiaries but only for directly making or influencing the decision to use the challenged data. The district court however ruled that it would be mere speculation to conclude on the basis of the foregoing evidence that North American had overridden the qualms of Philips Roxane on the specific detail of use of the A.L. Labs data. Although it is a close question, we again defer to the district court's determination of the requirements of Missouri law, *see McAninch*, 779 F.2d at 469, and affirm its decision that the punitive damages award against North American should be set aside.

V.

Because we uphold the district court's orders regarding actual and punitive damages, we need not reach its conditional grant of new trials for both Philips Roxane and North American. We agree with the district court's well-reasoned opinion denying A.L. Labs' request for attorney fees.

The judgment is affirmed.

A true copy.

Attest:

Clerk, U.S. Court of Appeals, Eighth Circuit.

APPENDIX B

IN THE UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF MISSOURI
ST. JOSEPH DIVISION

No. 82-6091-CV-SJ-6

A. L. LABORATORIES, INC. and
A/S APOTHEKERNES LABORATORIUM
FOR SPECIALPRAEPARATER,
Plaintiffs,

v.

PHILIPS ROXANE, INC. and
NORTH AMERICAN PHILIPS CORP.,
Defendants.

[Filed July 23, 1985]

MEMORANDUM AND ORDER

In three separate memorandums and orders on May 6, 1985, this court granted limited injunctive relief to plaintiffs,[1] denied plaintiffs' requests for attorneys' fees, and requested a summary judgment motion by North American Philips Corp. ("NAP") on the issue of its liability for punitive damages. The court indicated its view that plaintiffs had presented insufficient proof to justify an award of compensatory damages and that the

---

[1] Subsequent to the May 6, 1985, Orders, the court extended the time for the injunction to August 27, 1985. Order of June 4, 1985.

court would enter judgment notwithstanding the verdict for nominal damages; that there was, however, sufficient evidence of wrongdoing by Philips Roxane, Inc. ("PR") to justify an award of punitive damages and that no trial errors mandated a new trial as to such damages; and that there was an insufficiency of evidence to find wrongdoing by NAP personnel in connection with the initial misuse of the American Health Institute ("AHI") studies in 1979-81 and insufficient evidence to hold NAP liable on an alter ego theory. The court requested additional briefing as to NAP's conduct or inaction subsequent to the Pinnacle Club luncheon in September 1982, particularly in connection with (1) the failure to promptly terminate misuse of the data and (2) the failure to prevent misuse of the data in connection with the final application for FDA approval in February of 1983.[2] NAP has now filed its motion for summary judgment. Plaintiffs not only filed their suggestions in opposition to NAP's motion, but filed their own motion for summary judgment on the punitive damage issue. NAP filed its reply brief to plaintiffs' motion and asked for summary judgment in its favor on all of the issues briefed by plaintiffs. This case, therefore, is now in a posture for a final ruling on all of the damage issues.

Pending before the court are the motions of defendants PR and NAP for judgment notwithstanding the verdicts and, in the alternative, for a new trial, and/or to alter or amend the judgment and the parties' cross-motions for summary judgment on the issue of NAP's liability for punitive damages. After trial to a jury, judgment was entered in favor of A. L. Laboratories, Inc. ("A.L. Labs"), and against PR, for actual damages in the amount of $340,000; in favor of A.L. Labs, and against PR, for punitive damages in the amount of $785,000; and in favor of A.L. Labs, and against NAP,

---

[2] This request may have been unnecessary; I had forgotten that NAP had sold its stock in PR prior to the period in question.

for punitive damages in the amount of $1,570,000. During trial, the court directed a verdict for defendants and against plaintiff A/S Apothekernes Laboratorium For Special Praeparater.

I. COMPENSATORY DAMAGES

The court is convinced that the award of actual damages in the amount of $340,000 is against the clear weight of the evidence, and that there is no evidence allowing an assessment of such damages, consistent with the court's rulings during trial.

It is rudimentary that judgment notwithstanding the verdict should only be granted in those exceptional situations where " 'all the evidence points one way and is susceptible of no reasonable inferences sustaining the position of the non-moving party.' " *SCNO Barge Lines, Inc. v. Anderson Clayton & Co.*, 745 F.2d 1188, 1192-93 (8th Cir. 1984) (quoting *Dace v. ACF Industries, Inc.*, 722 F.2d 374, 375 (8th Cir. 1983)). This case presents such an exceptional situation.

An award of $340,000 for actual damages may only be premised upon the testimony that the cost of replicating the Animal Health Institute ("AHI") cross-resistance studies today would range from $350,000 to $400,000. (Tr. 72). This award, thus, amounts to restitution for the current value of the data. The problem with this approach to valuing plaintiffs' claim is that it ignores (1) PR's belated abandonment of Master File 3578, *see* defendants' Ex. 269, and (2) the purchase of a right of reference to AHI Master File 3596 from SDS Biotech Corporation, the assignee of Diamond Shamrock Corporation for $30,000. *See* Defendants' Exs. 263, 265 and 285. Nothing in the AHI Guidelines prevented such a sale. *See* Defendants' Ex. 10.

The court expressed its concern over restitution-type damages in its Memorandum to Counsel on March 13,

1985, and suggested that such an award would be similar to ordering an auto thief to pay the owner the full value of the auto, even though it had been recovered. *Id.* at 2. The court postulated that plaintiff might have made a good argument for receiving the rental or use value of the AHI data. *Id.* Nevertheless, the court recognized that plaintiffs presented no evidence on this measure of damages. *Id.* at 3. Plaintiffs responded that "[d]efendants chose not to introduce any evidence as to any 'rental or use' value and did not brief the issue." Suggestions by Plaintiffs in Opposition to Defendants' March 22, 1985, Post-Trial Motions at 18 n.7 (filed April 1, 1985). Defendants, however, did not have the responsibility to prove plaintiffs' damages. If plaintiffs failed to prove any legally valid damages, they alone bear the brunt of this failure. *See Drew Chemical Corp. v. Star Chemical Co.*, 258 F.Supp. 827, 834-35 (W.D. Mo. 1966).[3]

Plaintiffs further respond that unjust enrichment is the appropriate measure of damages and cite *Telex Corp. v. IBM*, 510 F.2d 894, 932 (10th Cir.), *cert. dis.*, 423 U.S. 802 (1975); *University Computing Co. v. Lykes-Youngstown Corp.*, 504 F.2d 518, 536 (5th Cir. 1974); and *International Industries, Inc. v. Warren Petroleum Corp.*, 248 F.2d 696, 699 (3rd Cir. 1957), *app. dis.*, 355 U.S. 943 (1958), for this proposition. These cases, however, are only marginally pertinent. As noted in *International Industries*, 248 F.2d at 699 n.1, federal cases are not controlling; in this case they would be persuasive only if the court were to surmise that the common law of damages in the states could be predicted from some undisputed generalizations appearing in the federal cases. If any inferences are to be made, the rather brusque rejection of the damage claim in *Drew*, by an

[3] The court infers that past "use value" would not have amounted to much, under the circumstances, particularly in light of plaintiff's desire for injunctive relief.

experienced district judge resident in Missouri, would probably be accepted as best predicting the course of Missouri common law.

It is true that there is not a great deal of Missouri common law, or common law rulings from other states, that is readily obtainable. The court doubts, however, that many state law decisions would look to the somewhat esoteric field of patent law for guidance. In cases of unfair competition or misappropriation of trade secrets, the courts locally have fully enforced injunctive rights and right to punitive damages, but do not seem to have been persuaded to allow actual damages unless adequately demonstrated by plaintiff, either by showing a submissible lost profits claim or a recoupment claim for profits wrongfully obtained by a defendant. *National Rejectors, Inc. v. Trieman*, 409 S.W.2d 1, 44 (Mo. banc 1966); *Addington v. Cullinan*, 28 Mo. App. 238 (1887); *J. C. Penney Co. v. H. D. Lee Merc. Co.*, 120 F.2d 949, 958 (8th Cir. 1941); *Drew Chemical Corp.*, 258 F.Supp. at 834-35.

In the law generally, there is little basis for sustaining the measure of damages here advocated by plaintiff. L. Altman, 2 *Callman Unfair Competition Trademarks and Monopolies*, § 14.45, pp. 170-72 (1982). My best estimate of Missouri Law would be that it would be consistent with a Tennessee ruling, summarily rejecting a damage claim in an analogous case, there being "no basis for calculating an award . . . since defendants have not manufactured" the product. *Hickory Specialties, Inc. v. B & L Laboratories*, 592 S.W.2d 583, 588 (Tenn. App. 1979). This result seems consistent with the old Missouri rule of the *Addington* case, which, after merger of law and equity, would apparently permit lost profits or profit recoupment.

Even if the Missouri cases were to allow some recovery for the "value" of unproductive usage, the most

persuasive authority on this subject recommends seeking records of an arms-length contract figure to establish values. *University Computing Co.*, 504 F.2d at 536-39. The $30,000 paid by defendant PR in order to acquire rights of reference would be the most pertinent figure. Imposing this figure on plaintiff would doubtless require a new trial, and the Fifth Circuit measure of damages has not been approved or suggested by any local case law. Even this figure seems inconsistent with mitigation of damages, through return of the documents and purchase of other rights. Voluntary termination of misconduct generally seems to limit damages of this nature. *Extrin Foods, Inc. v. Leighton*, 115 N.Y.S.2d 429, 440 (Sup. Ct., Kings County 1952); L. Altman, Callman, *supra*, at 171.

The only authority materially favoring plaintiff seems to be the *Telex* case, 510 F.2d at 932, which also is distinguishable because there was no return of the materials taken and a proper purchase of substitute rights. In any event, *Telex* seems to run against the grain of Missouri law on this point, and the ruling may have been influenced to some extent by the Tenth Circuit impression that the punitive damage award was on the low side, so that an injustice could only be avoided by some stretching of the measure of compensatory damages. *Id.* at 933. Hard cases make dubious law.

In the absence of proof of measurable benefit to PR or loss to A.L. Labs, judgment will be entered notwithstanding the verdict for nominal damages of $1.00 as compensatory damages.

II. PUNITIVE DAMAGE AWARD AGAINST PR

The court will not reduce the punitive damage award against PR. The jury apparently believed that PR's actions with regard to the wrongful retention of the AHI data justified a significant punitive damage award.

The court is not inclined to disturb the jury's findings in this regard. Plaintiffs are correct that "[t]he jury has wide discretion in determining the amount of punitive damages, and that determination is not to be disturbed unless it is the product of bias or prejudice or is otherwise an abuse of discretion." *Kerr v. First Commodity Corporation of Boston*, 735 F.2d 281, 289 (8th Cir. 1984).

That the actual damages have been reduced to $1.00 is a matter of concern, but does not require the court to reduce the punitive damage award against PR. "Missouri courts have held that even a nominal damage award may provide sufficient basis for an award of punitive damages." *Id.* The ratio between the amount of actual damages and punitive damages is not always an important consideration. "Missouri courts require a nexus between the wrong committed by the defendant and the amount of punitive damages, not between the amount of actual damages awarded and the amount of punitive damages." *Id.*

It is obvious that the jury concluded there had been grave misconduct in connection with PR's unauthorized use of the test data. The jury sought to impose punitive damages in the total sum of $2,355,000. Even considering the size of the companies involved, the award is very impressive.

In attempting to reconstruct the critical events, and to determine what may have proved so shocking to the jury, it is my conclusion that the jury believed that PR personnel did not simply let the issue of ownership of the test data fall "through the cracks," but rather decided to seize the benefit of the data regardless of legal rights. No one confessed to making the final decision, and the jury may have concluded the defense was lacking in candor. The jury must have viewed the situation as exemplifying flagrant corporate larceny.

As will be seen, I have concluded that NAP must be relieved from responding in damages. While a scenario is possible, of course, that Mr. Hopkins of NAP may have

intruded himself into the decision and overridden the qualms of PR executives, such a supposition would be purely speculative. If plaintiff is to lose two-thirds of its punitive damage recovery, I believe I would be unduly interfering with the jury's discretion if I were to reduce the award against PR.

The loss of the compensatory damage award does not mean the jury was confused as to the facts regarding such damages, which might undermine the punitive damage award also. The facts were clear, and the jury would doubtless view it as a "technicality" of the law that deprives plaintiff of $340,000. The verdict for $340,000 indicates the jury believed PR unlawfully used property having that value, based on reproduction cost. While one may question whether such cost is better proof of value than the cost of an arms-length purchase of rights ($30,000) the matter is arguable and deference will be paid to the jury's evaluation. Even though the taking was temporary, because PR was "caught," a penalty of less that three times the value of the property does not seem to be grossly excessive. I cannot believe the jury would have wanted a reduction in the $785,000 award.

Thus, while I personally view the award as excessive, and would not wish to impose such a fine in a criminal case,[4] for example, I will allow the punitive damage award against PR to stand.

III. PUNITIVE DAMAGE AWARD AGAINST NAP

A. Conduct Prior to the Sale of PR

The court concludes that plaintiffs have shown an insufficient relationship between NAP and PR to justify piercing the corporate veil between PR and NAP, or

---

[4] As stated informally at trial, my appraisal of PR's conduct is affected by its innocent acquisition of the materials—this is not a case of commercial espionage. But I defer to the jury's more severe attitude.

holding NAP responsible for PR's use of the test data. The evidence fails to show that NAP officials dominated and controlled the operations of PR in all respects, or that PR was dependent on NAP for its "marching orders" on all significant management decisions, or on the decision to use AHI Master File 3578 in support of a Food and Drug Administration New Animal Drug Application ("NADA"). *Compare* Tr. 498-99, 703-05, 843-50 *with* 677-79, 840-41. The court recognizes that Special Verdict No. 9 did not require the jury to find that NAP controlled PR's decision with regard to the decision to use AHI Master File 3578 in support of the NADA.[5] This failure was doubtless instructional error, hastily concocted because plaintiffs did not seem to have developed a theory of recovery against NAP, other than assuming NAP's responsibility for PR. In any event, the evidence does not show the degree of control found by the jury, if the jury understood the full import of the question. Loosely used, the question could be given an affirmative answer in the case of almost any wholly-owned subsidiary.

As the court noted informally in ruling on the NAP motion at the end of the trial, there is a rather delicate question in most instances of wholly-owned corporations whether the obvious power to dominate (slightly misstated or misreported at Tr. 717), which would normally be frequently exercised, should result in vicarious liability even though there is no proof of domination of the particular activity in question.

---

[5] Special Verdict No. 9 read as follows:

> If you awarded actual or nominal damages to A.L. Labs in answer to question 6, do you find from the evidence that North American Philips so dominated and controlled the operations of Philips Roxane that Philips Roxane was a mere tool of North American Philips, dependent on North American Philips for its management decisions?
>
> The jury checked the line marked "Yes."

One crucial issue is the purpose for which PR was set up as a subsidiary of NAP. *See May Department Stores Co. v. Union Electric Light & Power Co.*, 341 Mo. 299, 107 S.W.2d 41, 55 (1937); *Camelot Carpets v. Metro Distributing Co.*, 607 S.W.2d 746, 749 (Mo. App. 1980). Plaintiffs have demonstrated no improper purpose in the set up of PR as a separate corporate entity. Moreover, plaintiffs have presented no evidence that defendants routinely ignored corporate formalities. *See Mansfield v. Smithie*, 615 S.W.2d 649, 653 (Mo. App. 1981). Nor have plaintiffs attempted to show that PR was underfunded or that NAP paid all of PR's bills. What little evidence exists would seem to be contrary and to the effect that NAP's and PR's books were totally separate. (Tr. 419, 716). Thus, this case is distinguishable from *Clayton Brokerage Co. of St. Louis v. Teleswitcher Corp.*, 418 F.Supp. 83 (E.D. Mo. 1976), *aff'd without opinion by an equally divided court*, 562 F.2d 1137 (8th Cir. 1977) (en banc).

"A mere showing that [NAP] has absolute control of [PR] does not without more justify disregarding corporate forms." *Fairbanks v. Chambers*, 665 S.W.2d 33, 37 (Mo. App. 1984). *See also Community Title Co. v. Roosevelt Federal Savings & Loan Ass'n.*, 670 S.W.2d 895, 905 n.8 (Mo. App. 1984); *Liberty Financial Management Corp v. Beneficial Data Processing Corp.*, 670 S.W.2d 40, 52 (Mo. App. 1984); *Smith v. City of Lee's Summit*, 450 S.W.2d 485, 489 (Mo. App. 1970). Additionally, plaintiffs had to show "that the corporate cloak was used as a subterfuge to defeat public convenience, to justify wrong or to perpetuate fraud." *Fairbanks*, 665 S.W.2d at 37. None of this has been established.

Alternatively, plaintiffs contend that there was some form of joint tort-feasor liability in that NAP's officer, Robert Callahan "directly participated in the decision for PRI to file the NADA based on Master File 3578." Plaintiffs' Suggestions at 30. The citations to the tran-

script (Tr. 695-99) reveal nothing more than that Callahan may have been consulted or advised of the NADA, which was in itself an innocent matter. Plaintiffs further rely on the memorandum from S. J. Musser to John Thompson, plaintiffs' Ex. 71 (both PR executives), recapping "meetings with the KRKA people relative to Zinc bacitracin" which were attended by Callahan. Plaintiffs contend that the memorandum shows that Callahan knew of the legal problems regarding use of the AHI data. The depositions of Callahan and Musser, read into evidence by plaintiff, however, showed that Callahan had no recollection of such matters being discussed at any of the meetings which he attended. (Tr. 485-89, 441). Moreover, as defendants correctly point out, the memorandum refers to "*meetings*" (emphasis added) (Tr. 440); it does not state whether all of the individuals listed attended all of the meetings or what topics were discussed at each of the meetings. Simply put, plaintiffs seek to place too great a load on the memorandum. In any event, even if Callahan knew something about the problems, this does not mean that he or NAP controlled PR's decisions regarding the AHI data.

The use by A.L. Labs of Callahan's deposition at trial was apparently designed to show that he was greatly surprised and shocked after litigation began by the questions of legality and morality concerning the use of the test data. (Tr. 485). While the deposition testimony on that point is not very clearly articulated, it seems intended to confirm that there was misconduct by PR of which the NAP personnel were unaware but would have condemned. Any attempt to shift a role to Callahan in the decision to use the AHI data "smells of the lamp," as a post-trial effort to save the punitive damage award, and seems inconsistent with the proof and the trial tactics of plaintiffs.

Finally, plaintiffs seek to involve NAP through certain legal advice that was given by K. M. LeFever. Assuming

some advice was given as to the legality of using the AHI data, this still does not show control by NAP as to PR's decisions regarding the AHI data. LeFever gave legal assistance to PR; his role may be compared with Callahan's assistance in supplying potential customers.

While *PR* sought to shift some of the responsibility to Mr. LeFever, on a theory that Mr. Musser's qualms were *subsequently* dampened by advice from LeFever, and that the memorandum of October 5, 1979, was probably not dated on the day of dictation (Tr. 926, 931-33), and did not reflect Mr. LeFever's advice of October 3, 1979, this was a strained theory that did not take into account, for example, Mr. Musser's signing of the memorandum, which doubtless occurred after he had talked to Mr. LeFever. Giving the documents their contemporaneous dates, it is obvious that Mr. Musser was *not* calmed by Mr. LeFever, and we need not deal with the question whether normal legal advice, even if negligently offered, could subject a corporation employing the lawyer to punitive damages.

In any event, it was apparently the position of A.L. Labs at trial (based on reading from the LeFever deposition—Tr. 712-13) that LeFever did *not* give a go-ahead to PR in October 1979 or at any time prior to the reference to the data in PR's application of May 28, 1981, and I will continue to accept what I believe was a sensible trial contention, consistent with the verdict. It would have considerably weakened the claim for punitive damages if PR had acted with the advice of counsel.

B. Conduct Subsequent to the Sale of PR

That NAP may have had some indirect financial "interest" in the misappropriation of the AHI data pursuant to its sale of PR to Boehringer Ingelheim has not been demonstrated.[6] Plaintiffs failed to show whether Boeh-

[6] NAP sold PR to Boehringer Engelheim on September 30, 1981. Proposed Pretrial Order, stipulated fact No. 7 at p. 4 (filed September 5, 1984). The evidence as to the amount of the sale price is conflicting, from $20,000,000, *id.* to $44,500,000. (Tr. 752).

ringer Ingelheim paid any more for PR due to the NADA or even whether the NADA was listed as an asset. The contrary appears to be true. Messrs. LeFever and Callahan stated that to their knowledge the PR NADA was not listed or considered as an asset of PR that influenced the purchase price. Affidavit of K. M. LeFever at 3 (signed July 3, 1985) (attached as Ex. B to NAP's Reply Brief (filed July 8, 1985)); Affidavit of Robert Callahan at 1 (signed July 6, 1985) (attached as Ex. A to NAP's Supplemental Reply Brief (filed July 9, 1985)). These affidavits, however, are not totally satisfactory or dispositive since they are written from the viewpoint of the seller, not the buyer. But there is no evidence supporting the theory that NAP received payment for the AHI data.

On September 28, 1982, Mr. Cohen of A.L. Labs and his attorney, Mr. Wallace, met with Messrs. LeFever and Callahan for lunch at the Pinnacle Club. Deposition of Norman Jungk at 66 (October 4, 1983). Throughout this litigation, this meeting has been referred to as the "Pinnacle Club luncheon." Mr. Cohen originally described the meeting as follows:

> A Well, we met at a restaurant called the Pinnacle Club in New York City. They told me that the data had been paid for by A.L. should have been returned to A.L., that was our data.
>
> Q Did you demand they return it, sir?
>
> A Yes, I did.
>
> Q Do you recall their response?
>
> A Yes. They said it had fallen through the cracks somehow, they should have returned it, and since they had not returned it, it had fallen through the cracks, therefore, finders keepers, it is our data.

THE COURT: Pardon me. Do you remember that view being expressed by both Mr. Callahan and Mr. LeFever, or was one of them silent in the discussion?

THE WITNESS: They were both in the discussion. Mr. LeFever did more of the talking than Mr. Callahan, however.

(Tr. at 84). Upon cross-examination, however, Mr. Cohen backtracked somewhat:

Q Now, I don't remember who you testified yesterday said it, but you said either Mr. LeFever or Mr. Callahan said finders keepers; is that the words that you used yesterday?

A I used those words yesterday.

Q All right. Now who was it? Was it Mr. LeFever or was it Mr. Callahan that said finders keepers?

A I was the one that said finders keepers. They said it fell through the cracks.

Q They didn't say finders keepers?

A No, they said it fell through the cracks.

Q Oh, I misunderstood you yesterday.

A You sure did.

Q I thought you said they said finders keepers.

A No, I said that. That was my characterization of what they concluded from that meeting.

(Tr. 149-50). Even if Mr. Cohen's impressions of the conclusions of Messrs. Callahan and LeFever were correct, the court fails to understand the import of their (Callahan's and LeFever's) beliefs. NAP no longer had power to control PR since it had been sold a year before

the Pinnacle Club luncheon.[7] NAP no longer was the parent company of PR. If plaintiffs had any complaints about the actions of PR's parent corporation, the complaints should have been addressed to Boehringer Ingelheim. To hold a parent company liable for the torts of a subsidiary, three elements are required:

> (1) control of the subsidiary corporation, (2) fraud or wrong of the parent corporation with respect to the creditor of the subsidiary or the person injured by such subsidiary, and (3) unjust loss or injury to the creditor or person injured; and the basis for abrogating the normal immunity of stockholders in such cases is an abuse of the privilege to do business

---

[7] That NAP may have been responsible for defending PR in this litigation, *see* Deposition of John Thompson at 28-34 (July 14, 1983); *but see* Affidavit of Robert Callahan, *supra* at 2 (NAP "assumed no liability to Boehringer Ingelheim in the event of any loss or impairment of that NADA . . . ."), is essentially irrelevant. Any responsibility of NAP came about as a result of "some general hold harmless or indemnification agreement . . . ." Deposition of Thompson, *supra* at 28. Such a contractual liability to Boehringer Ingelheim, if it did exist, cannot be used as an anchor to secure NAP's liability for any tortious misconduct of PR subsequent to the sale of PR to Boehringer Ingelheim. To hold NAP liable for its conduct of the litigation would be analogous to holding attorneys or insurers liable if their conduct unnecessarily prolonged the litigation or raised the damages. While the client or insured may be liable for such increased damages, and may in turn have a right of action against the attorney for malpractice or against the insurer for vexatious refusal to pay the claim, there generally is no right of direct action against attorneys employed by others or against insurers. The only possible limitation to this rule is where there is an expressed intent to create a right to a third party beneficiary to the insurance policy. *See Brugioni v. Maryland Casualty Co.*, 382 S.W.2d 707, 713 (Mo. 1964). In the case at bar, plaintiffs have wholly failed to demonstrate any intention by NAP or Boehringer Ingelheim to give them third party beneficiary status in the hold harmless or indemnification agreement. Thus, plaintiffs cannot base any right to punitive damages for NAP's conduct after the sale of PR to Boehringer Ingelheim upon such an agreement.

> in a corporate form, or in other words, a fraud upon the law.

W. Fletcher, 13A *Cyclopedia of Corporations* § 6222 at p. 68 (1984) (footnotes omitted). At the very least, plaintiffs have failed to meet the first requirement. Moreover, the court does not believe that plaintiffs have met the second or third requirements.

The court concludes that it cannot " 'brush aside or disregard the separate legal entity of . . . [the] two corporations' " because there was insufficient evidence that " 'the separate legal entities of the corporations . . . [were] used to perpetrate fraud or injustice or to accomplish an unlawful purpose.' " *Brown by Brown v. Syntex Laboratories, Inc.*, 755 F.2d 668, 674 (8th Cir. 1985) (quoting *Smith v. City of Lee's Summit*, 450 S.W. 2d 485, 489 (Mo. App. 1970)). Moreover, unlike the situation in *Easley v. Empire, Inc.*, 757 F.2d 923, 926 (8th Cir. 1985), there is insufficient evidence that NAP controlled the decision to use or retain the AHI data. Thus, the court must reject the jury's verdict on punitive damages against NAP, as being legally unsupportable. Accordingly, it is hereby

ORDERED that judgment notwithstanding the verdict be GRANTED as to the award of actual damages. The judgment against PR for actual damages is reduced to $1.00. It is further

ORDERED that defendants' motions as to the punitive damage award against PR are DENIED. It is further

ORDERED that judgment notwithstanding the verdict be GRANTED as to the award of punitive damages against NAP. It is further

ORDERED that NAP's motion for summary judgment as to punitive damages is GRANTED. It is further

ORDERED that plaintiffs' motion for summary judgment as to the punitive damage liability of NAP is DENIED. It is further

ORDERED that should these orders be reversed on appeal, defendants' motions for a new trial are conditionally GRANTED.

/s/ Howard F. Sachs
HOWARD F. SACHS
United States District Judge

DATED: July 23, 1985

APPENDIX C

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF MISSOURI

Docket Number 82-6091-CV-SJ

Howard F. Sachs, Judge

A. L. LABORATORIES, INC., and A/S
APOTHEKERNES LABORATORIUM FOR SPECIALPRAEPARATER

v.

PHILIPS ROXANE INC., and NORTH AMERICAN PHILIPS CORP.

[Filed July 23, 1985]

☐ Jury Verdict. This action came before the Court and a jury with the judicial officer named above presiding. The issues have been tried and the jury has rendered its verdict.

☒ Decision by Court. This action came to trial or hearing before the Court with the judge (magistrate) named above presiding. The issues have been tried or heard and a decision has been rendered.

IT IS ORDERED AND ADJUDGED

Judgment notwithstanding the verdict is granted as to the award of actual damages. The judgment against PR for actual damages is reduced to $1.00.

Defendants' motions as to the punitive damage award against PR are denied.

Judgment notwithstanding the verdict is granted as to the award of punitive damages against NAP.

NAP's motion for summary judgment as to punitive damages is granted.

Plaintiff's motion for summary judgment as to the punitive damage liability of NAP is denied.

Should these orders be reversed on appeal, defendants' motions for a new trial are conditionally granted. Entered on July 23, 1985.

Date: July 23, 1985

R.F. CONNOR
Clerk
/s/ Illegible
Deputy Clerk

APPENDIX D

UNITED STATES COURT OF APPEALS
FOR THE EIGHTH CIRCUIT

Nos. 85-1713/2067/2068WM

A.L. LABORATORIES, INC., *et al.*,
Appellants/Cross-Appellees,

v.

PHILIPS ROXANE, INC.,
Appellee/Cross-Appellant,

and

NORTH AMERICAN PHILIPS CORP.,
Appellee.

Appeals from the United States District Court
for the Western District of Missouri

[Filed Oct. 9,1986]

JUDGMENT

This appeal from the United States District Court was submitted on the record of the said district court, briefs of the parties and was argued by counsel.

Upon consideration of the premises, it is hereby ordered and adjudged that the judgment of the district court is affirmed in accordance with the opinion of this Court.

A true copy: October 9, 1986

ATTEST:

/s/ Robert D. St. Vrain

Clerk, U.S. Court of Appeals, 8th Circuit.

APPENDIX E

UNITED STATES COURT OF APPEALS
FOR THE EIGHTH CIRCUIT

Nos. 85-1713/2067/2068-WM

A. L. LABORATORIES, INC., *et al.*,
Appellants/Cross-Appellees,

VS.

PHILIPS ROXANE, INC., *et al.*,
Appellees/Cross-Appellants.

Appeals from the United States District Court
for the Western District of Missouri

Appellants/cross-appellees' petition for rehearing en banc has been considered by the Court and is denied.

Petition for rehearing by the panel is also denied.

November 13, 1986

APPENDIX F

IN THE UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF MISSOURI
ST. JOSEPH DIVISION

Case No. 82-6091-CV-SJ-6

A.L. LABORATORIES, INC. *and* A/S APOTHEKERNES LABORATORIUM FOR SPECIALPRAEPARATER,
Plaintiffs,

v.

PHILIPS ROXANE, INC. and NORTH AMERICAN PHILIPS CORP.,
Defendants.

[Filed Mar. 12, 1985]

SPECIAL VERDICT

1. Do you find from the evidence that the AHI zinc bacitracin test data in Master File 3578 was a trade secret?

Yes ✓ No ——

(If your answer is "yes," go on to the next question.)

2. Do you find from the evidence that at some time prior to 1979 A. L. Labs became entitled to ownership and possession of the AHI test data in Master File 3578?

Yes ✓ No ——

(If your answer is "yes," go on to the next question.)

3. Do you find from the evidence that at the time of the alleged misconduct Philips Roxane stood in a relationship of trust and confidence with A. L. Labs with respect to the AHI test data in Master File 3578?

Yes ✓ No ——

(If your answer is "yes," go on to the next question.)

4. Do you find from the evidence that Philips Roxane made unauthorized use of the AHI test data in Master File 3578?

Yes ✓ No ——

(If your answer is "yes," go on to the next question.)

5. Do you find from the evidence that A. L. Labs was damaged by Philips Roxane's use of the AHI test data in Master File 3578?

Yes ✓ No ——

(If your answer is "yes," go on to the next question.)

6. If your answers to questions 1 through 5 were "yes," you should award A. L. Labs actual or nominal damages. In the space below write the amount of damages you award.

$340,000

(After writing an amount, go on to the next question.)

7. Do you find from the evidence and the instructions that A. L. Labs is entitled to punitive damages from Philips Roxane?

Yes ✓ No ——

8. If your answer to question 7 was "yes," you may award punitive damages against Philips Roxane. In the space below write the amount of any punitive damages you award.

$785,000

9. If you awarded actual or nominal damages to A. L. Labs in answer to question 6, do you find from the evidence that North American Philips so dominated and controlled the operations of Philips Roxane that Philips Roxane was a mere tool of North American Philips, dependent on North American Philips for its management decisions?

Yes ✓ No ——

(If your answer is "yes," go on to the next question.)

10. Do you find from the evidence and the instructions that A. L. Labs is entitled to punitive damages from North American Philips?

Yes ✓ No ——

11. If your answer to question 10 was yes, you may award punitive damages against North American Philips. In the space below write the amount of any punitive damages you award.

$1,570,000

/s/ Robert B. Morgan
Foreperson

APPENDIX G

JUDGMENT IN A CIVIL CASE

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF MISSOURI

Docket Number 82-6091-CV-SJ

Howard F. Sachs, Judge

A. L. LABORATORIES, INC., *et al.*

v.

PHILIPS ROXANE, INC., *et al.*

[Filed Mar. 13, 1985]

☒ Jury Verdict. This action came before the Court and a jury with the judicial officer named above presiding. The issues have been tried and the jury has rendered its verdict.

☐ Decision by Court. This action came to trial or hearing before the Court with the judge (magistrate) named above presiding. The issues have been tried or heard and a decision has been rendered.

IT IS ORDERED AND ADJUDGED

Judgment is rendered in favor of A. L. Laboratories, Inc., and against Philips Roxane, Inc., for actual damages in the amount of $340,000.

Judgment is rendered in favor of A. L. Laboratories, Inc., and against Philips Roxane, Inc., for punitive damages in the amount of $785,000.

Judgment is rendered in favor of A. L. Laboratories, Inc., and against North American Philips for punitive damages in the amount of $1,570,000.

Judgment is rendered in favor of defendants and against plaintiff A/S Apothekernes Laboratorium For Special-praeparater.

Approved:

/s/ Howard F. Sachs
HOWARD F. SACHS
United States District Judge
R. F. CONNOR
Clerk

/s/ Illegible.
Deputy Clerk

DATE

March 13, 1985

APPENDIX H

PLAINTIFFS' REQUESTED INSTRUCTION 11-A
JOINT TORT FEASORS

In this case there are two defendants, Philips Roxane and North American Philips.

When the acts or omissions of two or more persons contribute concurrently, and as proximate causes, to the injury and damage of another, each of such persons is liable.

If you find that there was a misappropriation of plaintiffs trade secrets and that both defendants participated in or contributed to such misappropriation, you may find both defendants liable for trade secret misappropriation. Similarly, if you find that there was a breach of confidential relationship and that both defendants participated in or contributed to such breach, you may find both defendants liable for breach of confidential relationship.

Authority: Adapted from Devitt & Blackmar § 80.15.

Given _____

Denied _____

APPENDIX I

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF MISSOURI
ST. JOSEPH DIVISION

Case No. 82-6091-CV-SJ-6

A. L. LABORATORIES, INC. and A/S APOTHEKERNES LABORATORIUM FOR SPECIALPRAEPARATER,
Plaintiffs,

—VS—

PHILIPS ROXANE, INC. and
NORTH AMERICAN PHILIPS CORP.,
Defendants.

TRANSCRIPT OF PROCEEDINGS

VOLUME IX

TUESDAY, MARCH 12, 1985

(Pages 1032 through 1034)

Tuesday Morning Session—March 12, 1985—8:30 A.M.

* * * *

[1032] MR. McCONNELL: Your Honor, moving on to the next point, we would object to the failure to include our proposed instruction on joint tort-feasor liability and failure to include special verdict interrogatories that we would propose for North American Philips' liability based on its direct participation in the misappropriation and breach of confidential relationship.

THE COURT: What evidence is there of direct participation?

MR. McCONNELL: Your Honor, we believe that [1033] the testimony of Mr. LeFever and Mr. Callahan and others establishes that Mr. Callahan and Mr. LeFever were involved at every step of the way, that they had certainly noticed, both of the relationship of the plaintiffs and also of the specifics concerning the AHI data, and they were involved in the decision to use the plaintiffs' data to support the Philips Roxane application.

We believe they were directly participating and contributing to the conduct of Philips Roxane and there should, therefore, be an instruction which would permit the jury to find that they did participate and contribute and that North American Philips is liable based on the right to participate in the contribution.

THE COURT: Well, from the deposition that you put in of Mr. Callahan, he seemed to be startled and amazed, and so forth, about the question, and he didn't seem to have any awareness that question had been raised earlier about this particular issue. I don't see how other than speculation one can make him out to be the villain here. As far as Mr. LeFever is concerned, if he gave some bad legal advice or casual legal advice, I am doubtful that that creates a joint tort-feasor relationship.

I think there would have to be a lot more in this record about the reasonable conduct of an attorney. [1034] I don't think you have got made the joint tort-feasor issue. You may go ahead.

* * * *